

Habitat Conservation Trust Foundation
Financial Statements
March 31, 2012



Habitat Conservation Trust Foundation

Statement of Management Responsibility

Management, in accordance with Canadian generally accepted accounting principles, has prepared the financial statements of the *Habitat Conservation Trust Foundation*. Subject to the qualifications identified in the attached Auditor's Report, these statements present fairly the financial position of the organization as at March 31, 2012 and results of its operations for the year ended March 31, 2012.

Management is responsible for the preparation, integrity and objectivity of the financial statements. Systems of internal control are developed and maintained by management to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to provide a reliable basis for preparation of the financial statements.

Alex G. Mackie, Chartered Accountant, has performed an independent review of the financial statements. The attached Auditor's Report outlines the scope of his work on the financial statements of the *Habitat Conservation Trust Foundation*.



Brian Springinotic
Chief Executive Officer, HCTF



Aaron Bremner
Chief Financial Officer, HCTF

Victoria, British Columbia
September 19, 2012

Alex G. Mackie, C.A.
1981 Ridgeview Rise
Victoria, BC
V9B 6J1

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Habitat Conservation Trust Foundation:

I have audited the accompanying financial statements of the Habitat Conservation Trust Foundation, which comprise the Statement of Financial Position as at March 31, 2012, and the Statements of Operations, Fund Balances and Cash Flows of for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. My audit was conducted in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance regarding whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The following matters require me to qualify my opinion on these financial statements:

- Certain revenues and deferred revenues of the Habitat Conservation Trust Foundation could not be verified as the organization did not have the information available to enable it to confirm the amounts earned or owing. Consequently, my audit of the organization's income and deferred revenue from these sources was limited to a review of the revenue recorded in the books.
- As is the case in many organizations of this kind, the Habitat Conservation Trust Foundation obtains some of its income in the form of gifts in cash, in-kind or through voluntary labour or contributed services, which, by their nature, cannot form the subject of a detailed audit.

Opinion

In my opinion, except for the effects of adjustments, if any, that might have been determined to be necessary had I been able to carry out the audit procedures necessary to confirm the matters referred to in the preceding paragraph, these financial statements present fairly in all material respects the Statement of Financial Position as at March 31, 2012, and the Statements of Operations, Fund Balances and Cash Flows of the Habitat Conservation Trust Foundation for the year ended March 31, 2012 in accordance with Canadian Generally Accepted Accounting Principles.



Alex G. Mackie
CHARTERED ACCOUNTANT

Victoria, British Columbia
September 25, 2012

HABITAT CONSERVATION TRUST FOUNDATION
Statement of Financial Position
March 31, 2012

	2012	2011 (note 11)
	(\$)	(\$)
ASSETS		
CURRENT		
Cash and short term investments (note 3)	26,396,956	25,493,010
Accounts receivable	355,888	528,265
Prepaid expenses	5,448	9,903
	<u>26,758,292</u>	<u>26,031,178</u>
OTHER ASSETS		
Inventory - educational publications	183,821	188,863
Capital assets (note 4)	30,027	50,257
	<u>26,972,140</u>	<u>26,270,298</u>
LIABILITIES AND FUND BALANCES		
CURRENT LIABILITIES		
Accounts payable	1,917,079	1,840,007
Leave liability	63,019	47,666
	<u>1,980,098</u>	<u>1,887,673</u>
DEFERRED CONTRIBUTIONS (note 5)		
Long-term restricted	13,500,000	13,500,000
Other restricted	1,501,031	1,072,654
	<u>15,001,031</u>	<u>14,572,654</u>
	16,981,129	16,460,327
FUND BALANCES ENDING (schedule 1)	<u>9,991,011</u>	<u>9,809,971</u>
	<u>26,972,140</u>	<u>26,270,298</u>

Commitments (note 10)

On behalf of the Board


 _____ Chair

 _____ Director

The accompanying notes are an integral part of these financial statements.

HABITAT CONSERVATION TRUST FOUNDATION
Statement of Operations
For the Year Ended March 31, 2012

	2012	2011
		(note 11)
	(\$)	(\$)
REVENUE (note 6)		
Surcharge revenue	5,979,273	6,033,141
Sales of educational material and educational contributions	43,202	84,414
General donations	5,612	2,943
Land management	152,245	150,736
Investment income	434,017	605,662
Restricted contributions	253,084	223,427
Special Permits Auction	209,610	113,550
Other	-	228
	<u>7,077,043</u>	<u>7,214,101</u>
EXPENSES		
Project expenses (schedule 1)	5,917,634	5,069,230
Administration (note 7)	978,369	937,808
	<u>6,896,003</u>	<u>6,007,038</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	181,040	1,207,063
FUND BALANCES, BEGINNING	<u>9,809,971</u>	<u>8,602,908</u>
FUND BALANCES, ENDING	<u>9,991,011</u>	<u>9,809,971</u>

The accompanying notes are an integral part of these financial statements.

HABITAT CONSERVATION TRUST FOUNDATION
Statement of Cash Flows
For the Year Ended March 31, 2012

	2012	2011 (note 11)
	(\$)	(\$)
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	181,040	1,207,063
Items not affecting cash:		
Amortization	26,655	36,805
	<u>207,695</u>	<u>1,243,868</u>
Changes in non-cash working capital:		
Accounts receivable	172,377	113,925
Prepaid expenses	4,455	7,256
Accounts payable	77,072	(317,589)
Leave liability	15,353	37,081
Deferred contributions - restricted general	186,750	20,000
Deferred contributions - court awards	241,627	(119,177)
	<u>697,634</u>	<u>(258,504)</u>
Cash from operating activities	<u>905,329</u>	<u>985,364</u>
INVESTING ACTIVITIES		
(Increase in) / Reductions in publications inventory (net)	5,042	(23,449)
Additions to capital assets (net)	<u>(6,425)</u>	<u>-</u>
Cash used in investing activities	<u>(1,383)</u>	<u>(23,449)</u>
INCREASE IN CASH	903,946	961,915
CASH - Beginning of year	<u>25,493,010</u>	<u>24,531,095</u>
CASH - End of year	<u>26,396,956</u>	<u>25,493,010</u>
COMPRISED OF:		
Cash	11,560,460	10,696,571
Short term investments	14,836,496	14,796,439
	<u>26,396,956</u>	<u>25,493,010</u>

The accompanying notes are an integral part of these financial statements.

HABITAT CONSERVATION TRUST FOUNDATION
Schedule 1 - Statement of operations and changes in fund balances
For the year ended March 31, 2012
(\$)

	Surcharge Account							External Agency Account	Special Programs Account	Total
	Operating Fund	Grizzly Bear Conservation Strategy	Sturgeon Fund	Quality Waters (River Guardian)	Wild BC	Conservation Land Operations Account	Public Conservation Assistance Fund			
Revenue										
Surcharge revenue	5,148,129	232,342	218,708	341,104	-	-	-	-	38,990	5,979,273
Sales of educational material and educational contributions	-	-	-	-	43,202	-	-	-	-	43,202
General donations	5,612	-	-	-	-	-	-	-	-	5,612
Land Management	152,245	-	-	-	-	-	-	-	-	152,245
Investment income	112,546	-	-	-	-	282,649	30,325	-	8,497	434,017
Restricted contributions	239,084	-	4,000	-	-	-	-	10,000	-	253,084
Special Permits Auction	-	-	-	-	-	-	-	-	209,610	209,610
Other	-	-	-	-	-	-	-	-	-	-
Total revenue	5,657,616	232,342	222,708	341,104	43,202	282,649	30,325	10,000	257,097	7,077,043
Expenses										
Project expenses										
Fisheries	2,078,477	-	101,840	179,568	-	-	-	-	14,919	2,374,804
Wildlife	1,259,997	150,387	-	-	-	226,331	-	-	55,913	1,692,628
Information / Education / Stewardship	491,130	-	-	-	287,992	-	111,336	13,000	2,196	905,654
Land Acquisitions / (Recoveries)	942,500	-	-	-	-	-	-	-	(1,752)	940,748
Court Award Bad Debt Expense	3,800	-	-	-	-	-	-	-	-	3,800
Sub-total project expenses	4,775,904	150,387	101,840	179,568	287,992	226,331	111,336	13,000	71,276	5,917,634
Administration	929,705	6,792	444	-	-	30,168	9,274	-	1,986	978,369
Total expenses	5,705,609	157,179	102,284	179,568	287,992	256,499	120,610	13,000	73,262	6,896,003
Excess / (Deficiency) of revenues over expenses	(47,993)	75,163	120,424	161,536	(244,790)	26,150	(90,285)	(3,000)	183,835	181,040
Fund balances, beginning, as restated (note 11)	6,465,302	132,146	270,894	430,070	139,249	1,446,755	122,212	49,498	753,845	9,809,971
Interfund transfers	(491,250)	-	44,000	-	253,000	94,250	100,000	-	-	-
Fund balances, ending *	5,926,059	207,309	435,318	591,606	147,459	1,567,155	131,927	46,498	937,680	9,991,011
Long-term restricted contributions	-	-	-	-	-	12,500,000	1,000,000	-	-	13,500,000
Fund balances including long-term restricted contributions	5,926,059	207,309	435,318	591,606	147,459	14,067,155	1,131,927	46,498	937,680	23,491,011

* Fund balances consist of cash and non-cash items.

The accompanying notes are an integral part of these financial statements.

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

March 31, 2012

1. Purpose of the Organization

The Habitat Conservation Trust Foundation (HCTF) is a Society, incorporated under the *Society Act* in April, 2007. Its purpose is to act as trustee of the Habitat Conservation Trust (HCT), an entity established under amendments to the *Wildlife Act* in 2007 to replace the former Habitat Conservation Trust Fund, established by legislation in 1996. HCTF does not have assets, liabilities, equity, revenue or expenses other than those of the HCT.

Consistent with the trust purposes set out in the *Wildlife Act*, HCTF implements a wide range of projects to benefit fish and wildlife populations and their habitats. Project proposals can be submitted by all levels of government, conservation organizations, private industry and members of the general public.

HCTF operates using a fund accounting model which is discussed in detail under note 2(a).

Three restricted special accounts are consolidated in the organization's audited financial statements. The three funds are as follows: i) Special Permits Enhancement Fund; ii) the Highland Valley Enhancement Fund; and iii) the Arrow Lake Logging Trust.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the following significant accounting policies:

a. Fund accounting

HCTF operations are divided into three parent funds: i) Surcharge Account; ii) External Agency Account; and iii) Special Programs Account.

i) Surcharge Account

Within the Surcharge Account, there are several individual funds. Revenue and expenses related to general program delivery and administrative activities are reported in the Operating Fund. Revenues and expenses related to the Grizzly Bear Conservation Strategy, the Sturgeon Fund, the Quality Waters program, Wild BC, the Conservation Land Operations Account (CLOA), and the Public Conservation Assistance Fund (PCAF) are reported in their own individual funds.

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

March 31, 2012

ii) External Agency Account

Most revenue and expenses related to contributions received from public and private sector conservation partners are reported under the External Agency Account. Funds received under this account generally carry restrictions on how they can be spent.

iii) Special Programs Account

The Special Programs Account is comprised of several long-term initiatives that are primarily funded from external sources. The revenue and expenses related to the Special Permits Enhancement Fund, the Highland Valley Enhancement Fund, and the Arrow Lake Logging Trust are consolidated under this account.

The activities carried out under the Special Programs Account are restricted to uses that are consistent with the governing documents that establish the individual initiatives.

b. Revenue Recognition

HCTF follows the deferral method of accounting for contributions. Restricted contributions, including all court awards, are set-up as deferred revenue and only recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c. Accounts Receivable

Included in the accounts receivable are overdue court ordered payments relating to environmental prosecutions. HCTF considers it unlikely that it will collect on certain court ordered payments. To reflect this uncertainty, HCTF has established an allowance for doubtful accounts of 100% of all court ordered receivables that have not been received within two years of the due date, and 50% of those unpaid between one and two years past the due date.

d. Expense Recognition

HCTF recognizes expenses using the accrual basis of accounting except for payments of conditional grants under which funds are charged to operating expenses when prescribed conditions have been met.

Most conditional grant agreements with project proponents include a holdback clause which is released upon receiving a final report. Project proponents generally have up to six months after the end of their agreement to complete final reporting. Payment holdbacks are recorded and tracked as future year commitments when prescribed conditions have not been met by March 31st.

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

March 31, 2012

e. Capital Assets

Capital assets purchased for the purpose of administering the affairs of HCTF are recorded at cost and amortized on a straight-line basis using the following rates:

Computer hardware and software	3 years
Office furniture and equipment	5 years
Leasehold improvements	Lesser of 5 years or lease term

Assets costing less than \$1,000 are expensed in the year of acquisition.

Capital assets purchased by project proponents are charged to operating expense in the year the expenditures are made. Upon project completion, project capital assets are stored with regional offices of the Ministry of Environment, and are made available for future HCTF funded projects.

f. Publication Inventory

Publications are valued at the lower of cost and net realizable value.

g. Financial Instruments

HCTF's financial instruments include short-term investments, accounts receivable, and accounts payable. Under standards released by the Canadian Institute of Chartered Accountants, all financial instruments must be recognized at fair value upon initial acquisition. Management is also required to classify all financial instruments as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Transaction costs are expensed as incurred for all financial instruments. Financial assets and financial liabilities classified as held-for-trading are measured at fair value with changes in those fair values recognized in net income.

The Foundation has classified all of its financial instruments as held-for-trading and accordingly they are presented on the balance sheet at fair value. Changes in fair value are recognized in net income of the current period as required by the standard.

h. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

March 31, 2012

3. Cash and Short Term Investments

During the year, HCTF utilized the combined banking services of TD Waterhouse Private Client Services, and Van City Credit Union for the management of its cash and short term investments.

	2012 (\$)	2011 (\$)
TD Waterhouse		
Cash	11,560,460	10,696,571
Equities	3,130,596	2,771,564
Fixed Income (including cash)	11,705,900	2,678,713
Sub-total	26,396,956	16,146,848
Van City Credit Union GICs	-	9,346,162
Total Cash and Short Term Investments	26,396,956	25,493,010

4. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	Net Book Value 2012 (\$)	Net Book Value 2011 (\$)
Office Furniture and Equipment	49,708	24,941	24,767	27,659
Computer Hardware	47,621	47,621	-	7,937
Computer Software	61,149	58,283	2,866	10,453
Leasehold Improvements	6,048	3,654	2,394	4,208
	164,526	134,499	30,027	50,257

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

March 31, 2012

5. Deferred Contributions

Deferred contributions relating to projects are as follows:

	2012 (\$)	2011 (\$)
Balance – Beginning of year	14,572,654	14,671,831
Summary of deferred contributions during the year		
Set up as deferred	681,460	124,250
Recognized as revenue	(253,083)	(223,427)
Balance – end of year	15,001,031	14,572,654

Certain contributions received by HCTF do not have time restrictions. Included in the end of year balance are two long-term restricted contributions totalling \$4.5 million that the Board has decided to treat in a manner similar to endowments.

During the 2007/08 fiscal year, HCTF received a new endowment totalling \$9 million to be used for operating and management costs on conservation lands. The investment income earned on \$6 million is to be used for activities on lands jointly managed by the Nature Trust and the Province of BC. The investment income earned on \$3 million is to be used for activities on lands managed by other land conservation groups.

The remaining balance is comprised of court awards \$1,100,593 (2011 - \$858,967), and other external agency contributions \$400,438 (2011 - \$213,687).

6. Revenue

- i. **Surcharge revenue** - The majority of HCTF's revenue arises from surcharges placed on hunting, angling, trapping and guide outfitting licences sold in British Columbia. Under the provisions of the *Wildlife Act*, these surcharges are assessed and collected by government acting as agent of the HCTF. HCTF relies on the government to provide reporting on surcharge sales and to forward this revenue on a set schedule.
- ii. **Sales of educational material and educational contributions** – HCTF sells educational resources including publications and workshop services. It also receives contributions from partners for education-based initiatives.
- iii. **Donations** – HCTF receives a small number of direct cash donations each year. Cash donations are recorded as revenue when received.

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

March 31, 2012

- iv. **Land management fees** – Under the provisions of the *Wildlife Act*, HCTF receives revenue derived from land owned or leased by the Crown and administered by the provincial government for the benefit of fish and wildlife. Examples of such revenue include grazing fees for cattle, and movie production fees for land rental. HCTF relies on the government to collect and report on land management fees and to forward this revenue on a set schedule.
- v. **Restricted contributions** – From time to time, conservation partners provide HCTF contributions to undertake specific fish, wildlife, stewardship or habitat projects. The amount of contributions varies each year. In addition, British Columbia courts occasionally direct a person or organization to pay remedial, rehabilitative or other monetary compensation to HCTF for different types of environmental reparations.

7. Administration Expenses

HCTF incurred the following administration expenses:

	2012 (\$)	2011 (\$)
Amortization	25,034	35,183
Audit (Financial)	13,922	13,958
Board Compensation	24,250	22,100
Communications	18,591	23,027
Insurance	20,787	19,609
Investment / Banking Fees	34,348	33,462
Legal Services	7,606	2,328
Office and Miscellaneous	98,256	82,048
Office Space – Rent	79,819	78,543
Repairs and Maintenance	5,339	6,563
Professional Services	108,838	120,439
Salaries and Benefits	477,321	443,523
Training	2,087	1,133
Travel	62,171	55,892
Total HCTF Administration Expenses	978,369	937,808

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

March 31, 2012

8. Management of Risks Arising From Financial Instruments

HCTF's financial instruments are exposed to varying degrees of interest rate risk, market risk, and credit risk due to their nature and the volatility inherent in the marketplace for financial instruments. HCTF employs strategies to manage the risks as follows:

Interest rate risk

HCTF carries a significant portion of its funds in cash and GICs invested with TD Waterhouse and Van City Credit Union. By their nature, these funds provide guaranteed interest income.

Market risk

HCTF has engaged the services of TD Waterhouse, Private Client Services to manage the portfolio of assets it holds in short-term investments. Short-term fluctuations in the value of this portfolio are to be expected, and market changes are managed under a moderately conservative risk profile. HCTF also acquired GICs through Van City Credit Union and expects to hold these until maturity.

Credit risk

Substantially all of HCTF's accounts receivable are due from the Province of British Columbia and relate to amounts payable under the provisions of the *Wildlife Act*. Management regards the potential for non-payment of these accounts as highly unlikely.

Other accounts receivable are due from individuals and organizations that have been ordered by British Columbia courts to pay amounts to HCTF under various creative sentencing provisions contained in legislative enactments. Provision has been made for those accounts where collectability is considered unlikely - see Note 2(c).

HABITAT CONSERVATION TRUST FOUNDATION

Notes to Financial Statements

March 31, 2012

9. Financial Dependence

Under the provisions of the *Wildlife Act*, HCTF is the designated trustee of the Habitat Conservation Trust (HCT). The HCT is the designated recipient of revenues arising from two primary sources: surcharges on licences and permits issued in the Province of British Columbia for hunting, angling, trapping and guide outfitting; and lands administered by the Minister of Forests, Lands and Natural Resource Operations for the benefit of fish or wildlife. Together, these revenues accounted for 87% of HCTF's total revenue during the 2011/12 fiscal year (2010/11 – 86%).

These revenue streams would only be discontinued by amending legislation to alter payments into the HCT. Management considers it unlikely that such amendments will be made in the foreseeable future.

10. Future Year Commitments

HCTF has commitments as follows:

	Project carry- overs including holdbacks	Project carry- overs from deferred contributions	Office space lease	Total Commitments
	(\$)	(\$)	(\$)	(\$)
2013	3,238,025	44,352	76,000	3,358,377
2014	-	-	76,000	76,000
2015	-	-	76,000	76,000
2016	-	-	82,000	82,000
2017	-	-	82,000	82,000
	3,238,025	44,352	392,000	3,674,377

Note, commitment amounts do not account for future plans to internally restrict funds or re-allocate funds through inter-fund transfers.

11. Comparative Figures

Certain figures for the fiscal year ended March 31, 2011 have been adjusted to reflect the presentation of the current year financial statements.